
WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Annual Financial Report

Year Ended December 31, 2005

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-19-07

Richard M. Seal

Certified Public Accountant ☐ Certified Government Financial Manager

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RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ○ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT

Washington Parish Government
Franklinton, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Parish Government, as of and for the year ended December 31, 2005, which collectively comprise the basic financial statements of the Parish's primary government as listed in the table of contents. These financial statements are the responsibility of the Washington Parish Government's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statements referred to above include only the primary government of the Washington Parish Government, which consists of all funds, organizations, institution, agencies, departments, and offices that comprise the Parish's legal entity. The financial statements do not include financial data for the Parish's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial date of the Parish's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Washington Parish Government, as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying, government-wide and fund financial statements reflect a FEMA receivable of \$12,403,320 and \$12,304,330, respectively, for unreimbursed hurricane expenses. As of the date of this report \$10,456,611 of this receivable has been collected by the Parish Government. It is not possible, at this time, to predict if the remainder of the receivable (\$1,946,709) will be collected.

In my opinion, subject to the effects of any adjustments that may result from the outcome of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the Washington Parish Government, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

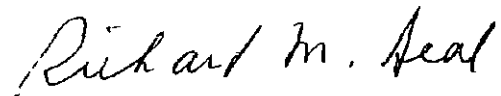
In accordance with *Government Auditing Standards*, I have also issued my report dated September 16, 2007 on my consideration of the Parish Government's internal control over financial reporting and on my tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The budgetary comparison information on pages 43 through 45, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Management has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was made for the purpose of forming opinions on the primary government's financial statements that collectively comprise the Washington Parish Government's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular

A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, subject to the effects of any adjustments that may result from the outcome of the matter discussed in the fourth paragraph above, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Richard M. Neal". The signature is written in a cursive, flowing style.

Certified Public Accountant

Bogalusa, Louisiana
September 16, 2007

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Net Assets
December 31, 2005

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 6,816,218	\$ 3,405	\$ 6,819,623
Investments	8,590,447		8,590,447
Receivables	4,006,470		4,006,470
FEMA receivable	12,403,200		12,403,200
Internal balances	5,000	15,000	20,000
Notes receivable		98,154	98,154
Due from other governments	278,827		278,827
Equity in Choctaw Road Landfill	581,611		581,611
Capital assets:			
Land	2,099,163		2,099,163
Other capital assets, net of depreciation	28,358,606		28,358,606
Total assets	\$ 63,139,542	\$ 116,559	\$ 63,256,101
LIABILITIES			
Accounts and retainage payables	\$ 12,976,046	\$	\$ 12,976,046
Due to other governments			-
Long-term liabilities:			
Portion due within one year	2,143,433		2,143,433
Portion due after one year	17,200,000		17,200,000
Total liabilities	32,319,479	-	32,319,479
NET ASSETS			
Invested in capital assets, net of related debt	9,243,606		9,243,606
Restricted for:			
Capital projects	11,054,070		11,054,070
Health and welfare	2,132,835		2,132,835
Solid waste disposal	2,196,866		2,196,866
Debt service	1,068,170		1,068,170
Highways and bridges	476,920		476,920
Other purposes	222,401		222,401
Unrestricted net assets	4,425,195	116,559	4,541,754
Total net assets	\$ 30,820,063	\$ 116,559	\$ 30,936,622

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Activities
For the Year Ended December 31, 2005

FUNCTIONS/PROGRAMS	Program revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 2,359,587	\$ 134,631	\$ 156,642	\$ 79,453	\$ (1,988,861)		\$ (1,988,861)
Public safety	1,192,605		37,053		(1,155,552)		(1,155,552)
Highways and streets	3,289,554	3,945	689,704	334,625	(2,261,280)		(2,261,280)
Health and welfare	505,309		66,249	289,222	(149,838)		(149,838)
Culture and recreation	617,364	9,482	31,634		(576,248)		(576,248)
Sanitation	589,548	133,310	86,654		(370,584)		(370,584)
Hurricane relief and restoration	25,001,532		25,387,209		385,677		385,677
Interest on long-term debt	682,702		8,703		(673,999)		(673,999)
Total	34,238,201	281,368	26,462,848	703,300	(6,790,685)		(6,790,685)
Business-type activities							
Expenses	-	2,384	-	-	-	2,384	2,384
Total business-type activities	-	2,384	-	-	-	2,384	2,384
Total Primary government	\$ 34,238,201	\$ 283,752	\$ 26,462,848	\$ 703,300	(6,790,685)	2,384	(\$ 788,301)
General revenues:							
Property taxes, levied for general purposes					1,799,874		1,799,874
Property taxes, levied for debt service					1,149,997		1,149,997
Sales taxes					4,003,107		4,003,107
State revenue sharing					191,367		191,367
Timber severance					453,364		453,364
Mineral severance					12,500		12,500
Other tax					14,184		14,184
Fire insurance rebate					121,179		121,179
Occupational licenses					150,063		150,063
Special item-sale of fixed assets					3,360		3,360
Unrestricted interest					3,432		3,432
Miscellaneous					41,151		41,151
Total general revenues					7,943,568	-	7,943,568
Change in net assets					1,152,883	2,384	1,155,267
Net assets-beginning					29,667,180	114,175	29,781,355
Net assets-ending					\$ 30,820,063	\$ 116,559	\$ 30,936,622

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Balance Sheet
Governmental Funds
December 31, 2005

	General Fund	Hurricane Katrina Fund	Road Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 5,606,510	\$	\$	\$ 1,209,708	\$ 6,816,218
Investments	133,390		4,297,643	4,159,413	8,590,446
Receivables	665,303		1,442,579	1,898,588	4,006,470
FEMA receivable		12,304,330			12,304,330
Due from other funds	1,943,397	81,877	5,524,395	1,276,276	8,825,945
Due from other governmental units	100,338			190,369	290,707
Total assets	<u>\$ 8,448,938</u>	<u>\$ 12,386,207</u>	<u>\$ 11,264,617</u>	<u>\$ 8,734,354</u>	<u>\$ 40,834,116</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 318,610	\$ 10,463,515	\$ 191,286	\$ 273,184	\$ 11,246,595
Retainage payable		1,715,451	14,001		1,729,452
Other payables					-
Due to other funds	6,527,997	68,970		2,223,979	8,820,946
Compensated absences	15,695		5,260	61,729	82,684
Equity in joint venture				66,390	66,390
Due to other governmental units				11,880	11,880
Total liabilities	<u>6,862,302</u>	<u>12,247,936</u>	<u>210,547</u>	<u>2,637,162</u>	<u>21,957,947</u>
Fund balances(deficit):					
Reserved for:					
Industrial development	\$ 50,000	\$	\$	\$	\$ 50,000
Debt service				1,068,170	1,068,170
Unreserved:					
Major funds:					
Designated-					
Health insurance	133,390				133,390
Undesignated	1,403,246	138,271	11,054,070		12,595,587
Unreserved, reported in nonmajor:					
Special revenue funds:					
Designated-					
Construction				1,046,490	1,046,490
Undesignated				3,982,532	3,982,532
Total fund balances	<u>1,586,636</u>	<u>138,271</u>	<u>11,054,070</u>	<u>6,097,192</u>	<u>18,876,169</u>
Total liabilities and fund balance	<u>\$ 8,448,938</u>	<u>\$ 12,386,207</u>	<u>\$ 11,264,617</u>	<u>\$ 8,734,354</u>	<u>\$ 40,834,116</u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
December 31, 2005

Total fund balances reported on the Balance Sheet of Governmental Funds.	\$18,876,169
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Amounts reported for *governmental activities* in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	30,457,769
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The portion of an equity interest in a joint venture that consists of capital assets and long-term debt in governmental activities are not reported in the funds.	829,558
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 2)	<u>(19,343,433)</u>
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Total net assets of governmental activities	<u><u>\$30,820,063</u></u>
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The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Hurricane Katrina Fund	Road Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes-					
Ad valorem	\$ 355,679	\$	\$ 1,149,997	\$ 1,444,195	\$ 2,949,871
Sales			2,103,245	2,118,571	4,221,816
Other	1,992				1,992
Licenses and permits	150,053				150,053
Intergovernmental-					
Federal funds-					
Federal grants				623,847	623,847
FEMA reimbursement		25,040,933			25,040,933
State funds-					
Parish transportation funds				451,020	451,020
State revenue sharing	37,870			153,497	191,367
Other	1,052,844			74,404	1,127,248
Insurance proceeds	8,703		8,703	8,703	26,109
Fees, charges, etc.	78,179			3,945	82,124
Fines and penalties	6,419			53,598	60,017
Interest income	3,432		227,860	111,801	343,093
Investment earnings				100,578	100,578
Other				4,184	4,184
Total revenues	<u>1,695,171</u>	<u>25,040,933</u>	<u>3,489,805</u>	<u>5,148,343</u>	<u>35,374,252</u>
EXPENDITURES					
Current-					
General government:					
Legislative	101,420				101,420
Judicial	812,855			315,241	1,128,096
Executive	394,435				394,435
Elections	182,772				182,772
Finance and administrative	373,563				373,563
Other	104,768				104,768
Public safety	452,381			652,197	1,104,578
Health and welfare	55,272			423,201	478,473
Highway and streets			492,947	1,350,582	1,843,529
Sanitation				508,375	508,375
Culture and recreation				525,769	525,769
Hurricane relief and restoration		24,902,662			24,902,662
Debt service					
Principal				1,865,000	1,865,000
Interest				627,632	627,632
Capital outlay	43,222		645,515	151,919	840,656
Total expenditures	<u>2,520,688</u>	<u>24,902,662</u>	<u>1,138,462</u>	<u>6,419,916</u>	<u>34,981,728</u>
Excess (deficiency) of revenues over expenditures	(825,517)	138,271	2,351,343	(1,271,573)	392,524

(Continued)

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Hurricane Katrina Fund	Road Improvement Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES(USES)					
Operating transfers in	861,973			2,804,728	3,666,701
Operating transfers (out)			(2,611,749)	(1,054,952)	(3,666,701)
Increase(decrease) in equity in joint venture				(192,162)	(192,162)
Excess sales tax split with other government entities				(218,709)	(218,709)
Sale of fixed assets				3,358	3,358
Total other financing sources(uses)	<u>861,973</u>	<u>-</u>	<u>(2,611,749)</u>	<u>1,342,263</u>	<u>(407,513)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	36,456	138,271	(260,406)	70,690	(14,989)
Fund balances, beginning	<u>1,550,180</u>	<u>-</u>	<u>11,314,476</u>	<u>6,026,502</u>	<u>18,891,158</u>
Fund balance (deficit), ending	<u>\$ 1,586,636</u>	<u>\$ 138,271</u>	<u>\$ 11,054,070</u>	<u>\$ 6,097,192</u>	<u>\$ 18,876,169</u>

(Concluded)

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances---total governmental funds	\$ (14,989)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (762,344) exceeded depreciation (1,747,574) in the current period.	(985,230)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,865,000
Governmental funds report contributions to Choctaw Road Landfill as expenditures.	233,032
Some expenses reported in the statement of activities do not require the use of current financial sources and therefore are not reported as expenditures in governmental funds. (Note 3)	<u>55,070</u>
Change in net assets of governmental activities	<u><u>\$ 1,152,883</u></u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Net Assets
Enterprise Funds
December 31, 2005

	USDA Revolving Loan Fund	Governor's Office Revolving Loan Fund	Total
ASSETS			
Current assets:			
Cash	\$ 3,405	\$	\$ 3,405
Notes receivable:			
Breedlove Farm, L.L.C.	911,033		911,033
Smith Creamery, L.L.C.	85,565	12,589	98,154
Total notes receivable	996,598	12,589	1,009,187
Less allowance for doubtful accounts	(911,033)	-	(911,033)
Net notes receivable	85,565	12,589	98,154
Due from other funds	15,000	2,858	17,858
 Total assets	 <u>\$ 103,970</u>	 <u>\$ 15,447</u>	 <u>\$ 119,417</u>
 LIABILITIES AND RETAINED EARNINGS			
Liabilities:			
Due to other funds	2,858		2,858
 Retained earnings	 <u>101,112</u>	 <u>15,447</u>	 <u>116,559</u>
 Total retained earnings	 <u>\$ 103,970</u>	 <u>\$ 15,447</u>	 <u>\$ 119,417</u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2005

	USDA Revolving Loan Fund	Governor's Office Revolving Loan Fund	Total
REVENUE			
State grant	\$		\$ -
Interest income	2,116	268	2,384
Total revenues	2,116	268	2,384
EXPENSES	-	-	-
Net income	2,116	268	2,384
Retained earnings, beginning	98,996	15,179	114,175
Retained earnings, ending	<u>\$101,112</u>	<u>\$ 15,447</u>	<u>\$116,559</u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from borrower	\$ 1,809
Loan to borrower	
Grant from the Governor's Office Revolving Loan Fund	
Interest received from borrower	
Interest income	<u>2,384</u>
Net cash provided by operating activities	<u>4,193</u>

OTHER CASH FLOWS

Due from other funds (increase)	(16,800)
Due to other funds (decrease)	<u>(16,200)</u>
	<u>(33,000)</u>
Net (decrease) in cash	(28,807)
Balances—beginning of the year	<u>32,212</u>
Balances—end of the year	<u><u>\$ 3,405</u></u>

**Reconciliation of net income to Net Cash
Provided by Operating Activities**

Net income	\$ 2,384
Adjustments to reconcile operating income to net cash provided by operating activities	
Note receivable decrease	<u>1,809</u>
Net cash provided by operating activities	<u><u>\$ 4,193</u></u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Notes to the Primary Government Basic Financial Statements
As of and for the year ended December 31, 2005

INTRODUCTION

The Washington Parish Government is the governing authority for Washington Parish and is a political subdivision of the State of Louisiana. On November 17, 1998, a home rule charter became effective which provides for a Parish President (elected parish-wide) and seven elected Councilmen representing the various districts within the parish.

Louisiana Revised Statute (R.S.) 33:1236 gives the parish government various powers in regulating and directing the affairs of the parish and its inhabitants. The more notable of those are the power to make regulations for its own government; to regulate the construction and maintenance of roads, bridges, and drainage systems; to regulate the sale of alcoholic beverages; and to provide for the health and welfare of the poor, disadvantaged, and unemployed in the parish. Funding to accomplish these tasks is provided by ad valorem taxes, beer and alcoholic beverage permits, state revenue sharing, and various other state and federal grants.

Washington Parish covers an area of 676 square miles with a population of approximately 44,000. The parish government maintains 865 miles of roads, of which 184 miles are asphalt, 371 miles are 3-shot, and 310 miles are gravel.

As the governing authority of the parish, for reporting purposes, the Washington Parish Government is the financial reporting entity for Washington Parish. The financial reporting entity consists of (a) the primary government (Parish Government), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Washington Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Parish Government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Government.
2. Organizations for which the Parish Government does not appoint a voting majority but are fiscally dependent on the Parish Government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Parish Government has determined that the following component units are part of the reporting entity. They have been blended because the Parish Government maintains the accounting records.

Blended Component Unit

The Criminal Court Fund (the Fund) was established under Section 571.11 of Title 15 of the Louisiana Revised Statutes of 1950, which provides that fines and forfeitures imposed by district courts and district attorney conviction fees in criminal court cases be transferred to the parish treasurer and deposited into a special Criminal Court Fund account to be used for the expenses of the criminal court of the parish. Expenditures are made from the fund on motion of the district attorney and approval of the district judges or on motion of the district judges and approval of the district attorney. The Parish Government adopts a budget for the fund. Separate financial statements are not issued for the fund since it has been historically included as a fund within the Parish Government's financial statements.

The Washington Parish Library (the Library) was established by the Parish Government on November 14, 1945, under provisions of Louisiana Revised Statute 25:211. The Library is governed by a board of control, which is appointed by the Parish Government in accordance with the provisions of Louisiana Revised Statute 25:214. Although the Library is legally separate, the Parish Government approves its budget and levies and collects ad valorem taxes dedicated to the operation of the library system. Separate financial statements are not issued for the Library since it has been historically included as a fund within the Parish Government's financial statements.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

The Washington Parish Office of Emergency Preparedness (OEP) was established by state law (R.S. 29:728) and is responsible for emergency mitigation, preparedness, response and recovery. The director is appointed by the parish president and must be commissioned by the director of the state office of emergency preparedness. Operating expenses are partially reimbursed by the state office.

Other Component Units

The Parish Government has chosen to issue financial statements of the primary government (Parish Government) and blended component units only; therefore, none of the following listed component units are presented in the accompanying financial statements.

Component Unit	Fiscal Year End	Criteria Used
Washington Parish Assessor	December 31	2
Washington Parish Clerk of Court	June 30	2
Riverside Medical Center- Hospital Service District No. 1	December 31	1
Washington Parish Gas District No. 1	December 31	1
Washington Parish Gas District No. 2	December 31	1
Bogue Lusa Waterworks District	December 31	1
Varnado Waterworks District	December 31	1
Washington Parish Fire Protection District No. 1	December 31	1
Washington Parish Fire Protection District No. 2	December 31	1
Washington Parish Fire Protection District No. 3	December 31	1
Washington Parish Fire Protection District No. 4	December 31	1
Washington Parish Fire Protection District No. 5	December 31	1
Washington Parish Fire Protection District No. 6	December 31	1
Washington Parish Fire Protection District No. 7	December 31	1
Washington Parish Fire Protection District No. 8	December 31	1
Washington Parish Fire Protection District No. 9	December 31	1
Washington Parish Communications District	December 31	1
Washington Parish Tourism Commission	December 31	1

Primary government officials may appoint some, or all, governing board members of organizations that are not included as component units in the primary government's reporting entity. These organizations are classified as (a) related organization and (b) joint venture, as follows:

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

Related Organization

Housing Authority of Washington Parish - The Parish Government appoints all five Commissioners of the Housing Authority of Washington Parish. However, no further contact or influence exists. Therefore, it is not included in the Parish Government's financial statements.

Joint Venture

Choctaw Road Landfill (the Joint Venture) - The Parish Government is a participant with the City of Bogalusa (the City) in a joint venture to construct and operate the Choctaw Road Landfill, a solid waste disposal landfill. The Joint Venture was opened in July of 1989. The agreed upon percentages of sharing of construction costs and operating losses were 58.1% for the Parish Government and 41.9% for the City. The Parish Government's share of costs is funded by a dedicated .67 percent sales tax in Washington Parish, excluding Ward 4. The City's share of costs is funded by an ad valorem tax.

Complete financial statements for the Joint Venture can be obtained from the Washington Parish Government at the parish courthouse in Franklinton, LA.

GASB Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (Parish Government) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government (Parish Government).

Considered in the determination of component units of the reporting entity were the Washington Parish School Board and various municipalities in the parish. It was determined that these governmental entities are not component units of the Washington Parish Government reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Washington Parish Government.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Washington Parish Government have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principle.

The financial statements include the following:

- Financial statements prepared using full accrual accounting for all of the parish's activities, including infrastructure (effective January 1, 2004)
- Fund financial statements changed to focus on the major funds.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Washington Parish Government reports the following major governmental funds:

The **General Fund** is the Parish Government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Hurricane Katrina Fund** is a special revenue fund to account for the expenditures of funds for hurricane relief and restoration and reimbursements received from FEMA.

The **Road Improvement Fund** is a capital projects fund that accounts for sales and ad valorem tax revenues which are dedicated solely for constructing, improving, maintaining and resurfacing public roads and bridges in the Parish including incidental drainage and the acquisition of equipment thereof.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

The Washington Parish Government reports the following major proprietary funds:

The **USDA Revolving Loan Fund** is an enterprise fund that accounts for a grant from the U.S. Department of Agriculture to establish a revolving loan fund to facilitate the development of small and emerging private business, industry, and related employment for improving the economy in rural communities.

The **Governor's Office Revolving Loan Fund** is an enterprise fund that accounts for a grant from the Governor's Office of Rural Development to develop an economic development revolving loan fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds is interest income. Operating expenses for enterprise funds include the administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash and cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Parish Government may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, mutual funds and bonds, debentures and notes or other evidence of indebtedness issued or guaranteed by Federal agencies provided such obligations are backed by full faith and credit of the United States of America.

D. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal years are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The following table states the Parish's thresholds for capitalizing capital assets and the estimated useful lives of capital assets:

Description	Capitalization Threshold	Estimated Useful Lives
Buildings	\$ 5,000	40 years
Building Improvements	5,000	20 years
Office equipment	5,000	5 years
Other equipment	5,000	7 years
Vehicles	5,000	5 years
Heavy Equipment	5,000	10-15 years
Infrastructure:		
Roads	25,000	15-20 years
Bridges	25,000	30-70 years

All capital assets, other than land, are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Bridges were valued using estimated historical cost. The Louisiana Department of Transportation and Development maintains a listing of Parish Bridges that includes the construction date and estimated replacement cost. Using this list, along with the consumer price index, historical cost was estimated by Parish Government's Engineer.

The Parish began the majority of the reconstruction of Parish roads after the voters of Washington Parish approved the following additional taxes:

- 10 mill ad valorem tax
- 1% sales tax (unincorporated areas of the parish)
- .33% sales tax (parishwide)

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Notes to the Primary Government Basic Financial Statements (Continued)

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the governmental funds. Every appropriation, except an appropriation for a capital expenditure, will lapse at the close of the fiscal year to the extent it has not been expended. Encumbrances do not constitute expenditures or liabilities.

G. Compensated Absences

The Washington Parish Government adopted a vacation & sick leave policy in 1986. Vacation paid is earned the year prior to it being taken. Vacation is earned by the number of years an employee has been with the Parish Government. In order for an employee to take vacation time the employee must have one year service with the Parish.

	<u>8 hr days</u>
1-2 years	5 days
3-10 years	10 days
11-15 years	15 days
16 —	20 days

Vacation does not accumulate and is paid on termination.

Sick leave does accumulate @ 1 day per month with a maximum of 45 days and is not paid upon termination.

H. Long-Term Liabilities

In the government-wide financial statements, and the propriety fund types in the fund financial statements, long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Notes to the Primary Government Basic Financial Statements (Continued)

I. Fund Equity

Reserved Fund Balances

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use, in the fund financial statements.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Parish, which are either unusual in nature or infrequent in occurrence.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

M. Sales Taxes Changes

On September 27, 1986 the voters of Washington Parish outside the corporate limits of the City of Bogalusa approved for an indefinite period of time, a one per cent sales tax. The proceeds of the sales tax, after administrative expenses, were dedicated to the costs of acquiring, operating, and maintaining solid waste disposal facilities.

On April 11, 1992 the voters decided to rededicate and re-allocate the above mentioned sales tax so that the proceeds in excess of those needed for the solid waste to:

- (a) 45% to pay the costs of services which the parish is legally obligated to pay under the laws of Louisiana;
- (b) 44.14% to be placed in the Parish Transportation Fund to be used for constructing, maintaining and improving public roads, highways and bridges in the Parish, to the extent that such projects qualify as allowable Parish Transportation Fund projects;
- (c) 9.72% to be used for constructing, maintaining and improving public roads, highways and bridges, for constructing, maintaining and improving drainage facilities and for economic development in the Town of Franklinton [provided that for five years after the effective date of this rededication, 80% of the portion described in this part (c) shall be used for economic development];
- (d) 0.57% to be used for constructing, maintaining and improving public roads, highways and bridges in the Village of Angie; and
- (e) 0.57% to be used for constructing, maintaining and improving public roads, highways and bridges in the Village of Varnado.

On April 6, 2002 the voters decided to reduce the 1.00% sales tax, parishwide except Bogalusa, to .67% and rededicate the proceeds of the tax in excess of that needed for solid waste to:

- (a) 68% for cost of services parish is legally obligated to pay,
- (b) 15% for parish roads and bridges,
- (c) 15% to the Town of Franklinton,
- (d) 1% to the Village of Angie, and
- (e) 1% to the Village of Varnado.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

On April 6, 2002 the voters, also, approved a parishwide .33% sales and use tax dedicated solely for constructing, improving, maintaining and resurfacing parish roads and bridges, including incidental drainage and the acquisitions of equipment therefor. The tax was levied beginning July 1, 2002.

On November 5, 2002 the voters approved a 1% sales and use tax for all unincorporated areas of the Parish dedicated solely for constructing, improving, maintaining and resurfacing parish roads and bridges, including incidental drainage and the acquisitions of equipment therefor. The tax was levied beginning January 1, 2003.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Long-term liabilities applicable to the Parish's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net assets. Balances at December 31, 2005, were:

Bonds payable	\$ 19,115,000
Accrued interest payable	124,530
Compensated absences	<u>103,903</u>
Combined adjustment	<u>\$ 19,343,433</u>

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however,

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term liabilities is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of three items:

Accrued interest on bonds	<u>\$ 55,070</u>
Combined adjustment	<u><u>\$ 55,070</u></u>

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Parish follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The President submits to the council a proposed operating budget at least sixty days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and total anticipated revenues.
2. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing.
3. At least ten days prior to the date of such hearing the council publishes in the official journal a general summary of the proposed budget.
4. The budget is adopted not later than 30 days before the end of the fiscal year.
5. At any time during the year the President may transfer part or all of any unencumbered appropriation within programs, except that no transfer can be made to or from the salary account unless approved by the Council by ordinance.
6. Every appropriation, except an appropriation for a capital expenditure, lapses at the close of the fiscal year to the extent that it has not been expended or encumbered.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended from time to time by the Parish Council.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

5. LEVIED TAXES

The following is a listing of levied millages for ad valorem taxes:

	<u>Levied Millage</u>	<u>Expiration Date</u>
Parishwide Taxes:		
General Fund:		
Inside	1.85	Indef.
Outside	3.70	Indef.
Special Revenue Funds:		
Library	4.60	2006
Parish Transportation	4.13	2006
Courthouse Maintenance	1.03	2006
Health Unit Maintenance	3.11	2006
Capital Projects Fund:		
Road Improvement	<u>10.00</u>	2011
	<u>28.42</u>	

6. CASH AND INVESTMENTS

Cash

At December 31, 2005, the Parish Government had cash and cash equivalents (book balances) totaling \$6,819,624 as follows:

Demand deposits	\$ 10,000
Interest bearing demand deposits	6,809,524
Petty cash	<u>100</u>
Total	<u>\$ 6,819,624</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

At December 31, 2005, the Parish Government has \$6,722,833 in deposits (collected bank balances). These deposits are secured from risk by \$400,000 of federal deposit insurance, \$1,022,677 of pledged securities, and a pledged letter of credit for \$11,000,000 from Federal Home Loan Bank held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, (State Law R.S. 39:1229) imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Parish Government that the fiscal agent has failed to pay deposited funds upon demand.

Investments

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Parish will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party investment. The Parish investment policy requires that all repurchase agreement investments be fully collateralized and held by the counterparty's trust department or agent in the Parish's name. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission. At year end, the Parish's investments were not exposed to any custodial credit risk.

Central Progressive Bank - Certificates of Deposits	\$ 1,477,496
Legg Mason:	
U.S. Government Agencies	1,049,934
Cash held in Money Market investment	1,074,942
Mutual funds of Hancock Bank, held by Hancock Bank	<u>4,988,067</u>
Total	<u>\$ 8,590,439</u>

Interest Rate Risk - Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The Parish investment policy limits interest rate risk by generally limiting maturities of its investments to one year or less.

Credit Risk and Concentration of Credit Risk - The credit risk of investments is the risk that an issuer or other counterparty will not meet its obligations. This credit risk is measured by credit quality ratings as described by ratings agencies such as Standard & Poor's (S&P) and Moody's. The concentration of credit risk is the risk

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U. S. government, investments in mutual funds, or external investment pools). The Parish's investment policy does not place a limit on the amount the Parish may invest in any one issuer.

The following table illustrates the Parish's investment exposure to credit risk as of December 31, 2005:

<u>S&P RATING</u>	<u>FAIR VALUE</u>
AAA	\$1,049,934

7. RECEIVABLES

The receivables of \$16,409,670 at December 31, 2005, were as follows:

<u>Class of Receivable</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>Hurricane Katrina Fund</u>	<u>Road Improvement Fund</u>	<u>Other Governmental Funds</u>	
Taxes:					
Ad Valorem	\$ 355,244		\$ 1,148,729	\$ 1,442,345	\$ 2,946,318
Sales and use	6,818		293,850	250,988	551,656
Intergovernmental:					
Federal	79,453	12,403,200			12,482,653
State	113,109			202,138	315,247
Local	47,373			3,117	50,490
Miscellaneous	63,306				63,306
Total	<u>\$ 665,303</u>	<u>\$ 12,403,200</u>	<u>\$ 1,442,579</u>	<u>\$ 1,898,588</u>	<u>\$ 16,409,670</u>

The Parish Government uses the direct write-off method to write off the majority of general uncollectible accounts receivable. This method approximates methods in accordance with generally accepted accounting principles.

8. NOTES RECEIVABLE

In 2002, Parish Government received a Federal grant of \$975,000 to establish a revolving loan fund to businesses to improve the economy in rural parts of the parish. The entire \$975,000 was loaned to Richard and Penny Breedlove and Breedlove Farm, L.L.C. on October 18, 2002, at an interest rate of 2.75%. The Breedlove's are to repay the loan in 120 monthly payments of \$9,320 including interest. Collection of the loan has become doubtful. In 2006 the property was seized in foreclosure proceedings.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

In 2004, Parish Government received a grant of \$15,000 from the Governor's Office of Rural Development to establish another revolving loan fund. The money was loaned to Smith Creamery, L.L.C. at 2% interest to be repaid monthly over ten years.

Notes receivable, December 31, 2005

Breedlove Farm, L.L.C.	\$	911,033
Smith Creamery, L.L.C.		98,154
Allowance for doubtful account		<u>(911,033)</u>

**Notes receivable, net of allowance for
doubtful account**

\$ 98,154

9. NET INVESTMENT IN JOINT VENTURE

The Parish Government's share of their investment in Choctaw Road Landfill is accounted for in the Sales Tax Split .67% Fund which is a governmental fund. The equity interest in the joint venture represents equity primarily in capital assets and otherwise does not meet the definition of a current financial resource. GASB #14 states that it is inappropriate to report the entire "Net investment in Joint Venture" as an asset in a governmental fund; only the amount that is a current financial resource should be reported.

Accordingly, the Parish's 58.1% "Equity in Joint Venture" of Choctaw Road Landfill at December 31, 2005, is shown in the financial statements as follows:

Sales Tax Split .67% Fund:

Current financial resource in the Fund Financial \$ (66,391)

Economic resources:

Restricted assets for closure and postclosure
care costs \$ 76,436

Capital assets 2,316,962

Accumulated depreciation (1,592,981)

Landfill closure and post closure care costs (152,415)

Net economic resources 648,002

Equity in Joint Venture in the Government-wide \$ 581,611

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

10. CAPITAL ASSETS

GOVERNMENTAL ACTIVITIES

The following is a summary of the changes in capital assets for the year ended December 31, 2005:

	Balance 12/31/04	Increases	Decreases	Balance 12/31/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,099,163	\$ —	\$ —	\$ 2,099,163
Total capital assets not being depreciated	<u>2,099,163</u>	<u>—</u>	<u>—</u>	<u>2,099,163</u>
Other capital assets:				
Buildings	6,218,856	14,852		6,233,708
Equipment	3,152,761	189,000		3,341,761
Books	1,360,884	11,250	6,237	1,365,897
Asphalt roads	14,289,437	400,076		14,689,513
3-shot roads	2,566,254	147,166		2,713,420
Bridges and culverts	<u>14,294,014</u>	<u>—</u>	<u>—</u>	<u>14,294,014</u>
	41,882,206	762,344	6,237	42,638,313
Less accumulated depreciation for:				
Buildings	(2,736,833)	(156,258)		(2,893,091)
Equipment	(1,915,240)	(292,950)		(2,208,190)
Books	(1,180,484)	(47,605)	(6,237)	(1,221,852)
Asphalt roads	(1,182,736)	(979,300)		(2,162,036)
3-shot roads	(2,243,275)	(25,439)		(2,268,714)
Bridges and culverts	<u>(3,279,802)</u>	<u>(246,022)</u>	<u>—</u>	<u>(3,525,824)</u>
Total accumulated depreciation	<u>(12,538,370)</u>	<u>(1,747,574)</u>	<u>(6,237)</u>	<u>(14,279,707)</u>
Other capital assets, net	<u>29,343,836</u>	<u>(985,230)</u>	<u>—</u>	<u>28,358,606</u>
Totals	<u>\$ 31,442,999</u>	<u>\$ (985,230)</u>	<u>\$ —</u>	<u>\$ 30,457,769</u>

Depreciation expense of \$1,747,574 for the year ended December 31, 2005, was charged to the following governmental functions:

General government	\$ 49,029
Public safety	88,027
Highways and streets	1,497,952
Health and welfare	26,836
Culture and recreation	<u>85,730</u>
	<u>\$ 1,747,574</u>

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

11. INTERFUND BALANCES

The following interfund balances at December 31, 2005 were created through interfund transfers and are expected to be repaid within one year. The purpose of a majority of the balances are to close out the Master Fund bank account to the General Fund.

	Interfund Balances
Governmental Activities—	
Major governmental funds	\$ 952,702
Nonmajor governmental funds	(947,702)
Total governmental activities	<u>\$ 5,000</u>
Business-Type Activities—	
USDA Revolving Loan Fund	\$ 12,142
Governor's Office Revolving Loan Fund	2,858
Total business-type activities	<u>\$ 15,000</u>

12. INTERFUND TRANSFERS

Details about interfund transfers from other funds during 2005 follow:

Governmental Activities —	
Major Funds—	
General Fund:	
Routine transfers from Sales Tax Split .67% for sanitation mandate	\$ 861,973
Road Improvement Fund:	
Routine transfers to debt service Funds nos. 31 and 32	(2,611,749)
Total major funds	<u>(1,749,776)</u>
Nonmajor governmental funds:	
Sales Tax Split .67%:	
Routine transfers to General Fund and Parish Transportation for sanitation mandate	(1,054,952)
Parish Transportation Fund:	
Routine transfers from Sales Tax Split .67% for sanitation mandate	<u>192,979</u>
Debt Service Fund-PTF #31:	
Routine transfers from Road Improvement for for debt service payments	639,688
Debt Service Fund-PTF #32:	
Routine transfers from Road Improvement for for debt service payments	1,972,061
Total nonmajor governmental funds	<u>1,749,776</u>
Total Governmental Activities	<u>\$ 0</u>

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Notes to the Primary Government Basic Financial Statements (Continued)

13. ON-BEHALF PAYMENTS

GASB Statement 24 establishes accounting and financial reporting standards for pass-through grants, food stamps, and on-behalf payments for fringe benefits and salaries. During the year 2005, the state paid salaries of \$105,198 directly to Parish Government employees on-behalf of Parish Government. This amount has been included in the financial statements in intergovernmental revenue and salaries expenditures.

14. ACCOUNTS, RETAINAGE, AND OTHER PAYABLES

The payables of \$12,976,047 at December 31, 2005, were as follows:

	General Fund	Hurricane Katrina Fund	Road Improvement Fund	Non-Major Governmental Funds	Total
Accounts	\$ 217,595	\$ 10,463,515	\$ 191,286	\$ 273,184	\$ 11,145,580
Retainage		1,715,451	14,001		1,729,452
Other	101,015				101,015
Total	<u>\$ 318,610</u>	<u>\$ 12,178,966</u>	<u>\$ 205,287</u>	<u>\$ 273,184</u>	<u>\$ 12,976,047</u>

15. CERTIFICATES OF INDEBTEDNESS

On December 31, 2002, Parish Government issued \$5,600,000 of Limited Tax Certificates of Indebtedness, Series 2002. The Certificates were secured by an irrevocable pledge and dedication of the funds to be derived from the collection of a special 10 mill tax authorized to be levied in 2002 through the year 2011. The tax was dedicated solely for construction, improving, maintaining and resurfacing public roads and bridges in the Parish including incidental drainage and the acquisition of equipment thereof.

On December 31, 2002, Parish Government, also, issued \$2,400,000 of Certificates of Indebtedness, Series 2002. The Certificates were secured by a pledge and dedication of the excess of annual revenues above statutory, necessary and usual charges in each of the years during which the certificates are outstanding.

The annual requirements to amortize all certificates outstanding at December 31, 2005, including interest of \$891,000, are as follows:

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

Limited Tax Certificates of Indebtedness, Series 2002 (in thousands):

Fiscal Year	Principal	Interest	Total
2006	\$ 585	\$ 157	\$ 742
2007	600	135	735
2008	620	112	732
2009	640	89	729
2010	660	64	724
2011-2012	<u>1,380</u>	<u>52</u>	<u>1,432</u>
	<u>\$ 4,485</u>	<u>\$ 609</u>	<u>\$ 5,094</u>

Certificate of Indebtedness, Series 2002 (in thousands):

Fiscal Year	Principal	Interest	Total
2006	\$ 225	\$ 68	\$ 293
2007	235	59	294
2008	245	50	295
2009	250	41	291
2010	260	32	292
2011-2012	<u>560</u>	<u>32</u>	<u>592</u>
	<u>\$ 1,775</u>	<u>\$ 282</u>	<u>\$ 2,057</u>

16. ROAD IMPROVEMENT REVENUE BONDS

Pursuant to a request in Resolution No. 03-266 dated February 24, 2003 of Washington Parish Government, the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued \$15,000,000 of its Revenue Bonds(Washington Parish Road Project) Series 2003. The following sales tax revenue has been pledged to secure the debt:

- .33% sales and use tax (parishwide) effective for 2002 and
- 1% sales and use tax (all unincorporated areas of the parish) effective January 1, 2003.

The proceeds of the Bonds are dedicated for financing the costs of constructing road improvements in Washington Parish, and are loaned to Parish Government as improvements are made.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

The annual requirements to amortize the revenue bonds outstanding at December 31, 2005 including interest of \$2,586,000 follows (in thousands):

Fiscal Year	Principal	Interest	Total
2006	\$ 1,105	\$ 452	\$ 1,557
2007	1,125	431	1,556
2008	1,150	398	1,548
2009	1,190	353	1,543
2010	1,235	299	1,534
2011-2015	7,050	653	7,703
	<u>\$ 12,855</u>	<u>\$ 2,586</u>	<u>\$ 15,441</u>

17. CHANGES IN GENERAL LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions:

	Balance 01/01/05	Additions	Retirements	Balance 12/31/05	Current Portion
Limited Tax Certificates of Indebtedness, Series 2002	\$ 5,050,000		\$ 565,000	\$ 4,485,000	\$ 585,000
Certificate of Indebtedness, Series 2002	1,990,000		215,000	1,775,000	225,000
Road Improvement Revenue Bonds, Series 2003	13,940,000		1,085,000	12,855,000	1,105,000
Capital leases payable	0			—	—
Accrued interest payable	69,460	124,530	69,460	124,530	124,530
Compensated absences	21,219	82,684		103,903	103,903
Total	<u>\$ 21,070,679</u>	<u>\$ 207,214</u>	<u>\$ 1,934,460</u>	<u>\$ 19,343,433</u>	<u>\$ 2,143,433</u>

18. RESERVED FUND BALANCES

Reserved fund balances at December 31, 2005, follow:

1. **Industrial development** -This \$50,000 is the result of a complicated transaction in which Washington Parish Government created Washington Parish Industrial District No. 1 to assist Crown Zellerbach Corp in issuing bonds for construction. The money is, apparently, reserved for industrial development.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

2. **Debt Service** - The \$955,320 is the amount in Debt Service PTF Revenue Bonds established to service the debt for the Revenue Bonds(Washington Parish Road Project) Series 2003. The \$112,850 is the amount remaining in the Debt Service Fund established to service the debt for the General Obligation Jail Bonds, Series 1991.

19. DESIGNATED FUND BALANCES

1. **Health insurance** - This \$133,390 is the remainder of money transferred from an Internal Service Fund that was closed when Parish Government changed health insurance coverage. It has been designated for future increases in health insurance.
2. **Construction** - This \$1,046,490 was designated by Parish Government in 1995 for construction of the next cell at Choctaw Road Landfill.

20. RISK MANAGEMENT

Washington Parish Government is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The parish attempts to minimize risk from significant losses through the purchase of commercial insurance.

21. PENSION PLAN

Substantially all employees of the Washington Parish Government are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Parish Government are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

to one per cent of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980, plus 3 per cent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, 5420 Corporate Boulevard, Suite 103, Baton Rouge, Louisiana 70808, or by calling (225) 928-1361.

Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the Washington Parish Government is required to contribute at an actuarially determined rate. The current rate is 11.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Washington Parish Government are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Washington Parish Government's contributions to the System under Plan A for the years ending December 31, 2005, 2004, and 2003, were \$252,936, \$273,912, and \$139,502, respectively, equal to the required contributions for each year.

22. CRIMINAL COURT FUND DEFICIT

At December 31, 2005 the Criminal Court Fund had a deficit fund balance of \$299,745. Parish Government has no control over this fund and is unaware of how the Court will correct this deficit situation.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

23. COMPENSATION PAID TO PARISH PRESIDENT AND PARISH COUNCIL

<u>Name</u>	<u>Title</u>	<u>Amount</u>
M. E. "Toye" Taylor	Parish President	\$ 99,396
Kenneth Wheat	Parish Council District 1	7,200
Clinton Miley	Parish Council District 2	7,200
Charles Nassauer	Parish Council District 3	7,050
Rodney Brown	Parish Council District 4	7,200
Relton Sumrall	Parish Council District 5	7,200
Marvin Thomas	Parish Council District 6	7,050
Darwin Sharp	Parish Council District 7	9,600

24. LITIGATION

The attorney for the Parish Government has advised that several lawsuits have been filed against the Parish, mainly for roadway damage.

The attorney's response was not clear regarding a probable or remote outcome on all pending cases. However, the attorney advised that the provisions of the present Louisiana Constitution do not permit a person holding a judgement against the Parish Government to levy or collect that judgement against any assets of the Parish in a judicial fashion. He also said that no funds have been allocated by Parish Government to pay any outstanding judgements or to make offers in settlement of pending litigation.

25. CONTINGENT LIABILITY

In the audit report of Washington Parish Government for the year ended December 31, 2003, there was a "questioned cost" concerning a \$911,033 bad debt expense on a loan made with the proceeds of a U.S. Department of Agriculture (USDA) revolving fund grant. In 2005, the USDA and the Office of the Louisiana Legislative Auditor began looking into this matter. Because of the inherent nature of "questioned costs", the USDA could possibly ask Parish Government for partial or full reimbursement sometime in the future. However, the ultimate outcome is unknown at this time. Accordingly, no liability has been recorded in these financial statements.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Basic Financial Statements (Continued)

26. PRIOR PERIOD RESTATEMENT

Fund Balances at January 1, 2005 have been restated to reflect the liability for accrued vacation on December 31, 2004 as follows:

	Fund Balance January 1, 2005	Adjustments	Restated Fund Balance January 1, 2005
General Fund	\$ 1,565,874	\$ 15,695	\$ 1,550,179
Parish Transportation Fund	793,900	38,463	755,437
Courthouse Maintenance Fund	116,196	4,360	111,836
Health Unit Maintenance Fund	2,101,002	6,153	2,094,849
Road Improvement Fund	11,319,736	5,260	11,314,476
Criminal Court Fund	(166,080)	919	(166,999)
Library	322,223	11,834	310,389
Total	<u>\$ 16,052,851</u>	<u>\$ 82,684</u>	<u>\$ 15,970,167</u>

27. GRANTS FROM OTHER GOVERNMENTAL UNITS

Federal and state governmental units represent an important source of supplementary funding used to finance construction and road maintenance programs, and other activities beneficial to the community. A grant receivable is recorded when the Parish Government has a right to reimbursement under the related grant.

Some of the grants received by the Parish Government specify the purpose for which the grant monies are to be used and such grants are subject to audit by the granting agency. No material amounts have been disallowed as a result of any audits for the year ended December 31, 2005. However, this audit report contains \$2,130,978 of hurricane expenditures, and there has not been a final accounting with FEMA.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes-				
Ad valorem	\$ 272,800	\$ 272,800	\$ 355,679	\$ 82,879
Other	5,000	2,000	1,992	(8)
Licenses and permits	157,550	159,650	150,053	(9,597)
Intergovernmental-				
State funds-				
State revenue sharing	40,000	40,000	37,870	(2,130)
Other	1,424,497	573,379	1,052,844	479,465
Fees, charges, etc.	116,600	118,600	78,179	(40,421)
Fines and forfeitures	1,775	3,775	6,419	2,644
Interest		150	3,432	3,282
Investment earnings			-	-
Other			-	-
Total revenues	<u>2,018,222</u>	<u>1,170,354</u>	<u>1,686,468</u>	<u>516,114</u>
EXPENDITURES				
Current-				
General government				
Legislative	125,870	95,105	101,420	(6,315)
Judicial	829,709	846,116	812,855	33,261
Executive	378,268	413,694	394,435	19,259
Elections	86,016	71,366	182,772	(111,406)
Finance and administrative	434,540	321,279	373,563	(52,284)
Other	53,740	32,940	104,768	(71,828)
Public safety	569,692	453,549	452,381	1,168
Health and welfare	41,832	42,332	55,272	(12,940)
Debt service	-	-	-	-
Capital outlay	-	94,361	43,222	51,139
Total expenditures	<u>2,519,667</u>	<u>2,370,742</u>	<u>2,520,688</u>	<u>(149,946)</u>
Excess (deficiency) of revenues over expenditures	(501,445)	(1,200,388)	(834,220)	366,168
OTHER FINANCING SOURCES(USES)				
Operating transfers in	861,973	861,973	861,973	-
Operating transfers (out)		-	-	-
Total other financing sources(uses)	<u>861,973</u>	<u>861,973</u>	<u>861,973</u>	<u>-</u>
Net change in fund balance	360,528	(338,415)	27,753	366,168
Fund balance, beginning	<u>1,069,489</u>	<u>1,550,180</u>	<u>1,550,180</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,430,017</u>	<u>\$ 1,211,765</u>	<u>\$ 1,577,933</u>	<u>\$ 366,168</u>

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Budgetary Comparison Schedule
Hurricane Katrina Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
FEMA reimbursement	\$	\$ 34,810,000	\$ 25,040,933	\$ (9,769,067)
Total revenues	-	34,810,000	25,040,933	(9,769,067)
EXPENDITURES				
Current-				
Hurricane relief and restoration	-	34,810,000	24,902,662	9,907,338
Total expenditures	-	34,810,000	24,902,662	9,907,338
Excess (deficiency) of revenues over expenditures		-	138,271	138,271
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ 138,271	\$ 138,271

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Budgetary Comparison Schedule
Road Improvement Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes-				
Ad valorem	\$ 657,131	\$ 657,131	\$ 1,149,997	\$ 492,866
Sales	1,669,968	1,579,968	2,103,245	523,277
Insurance proceeds	-	-	8,703	8,703
Interest	-	-	227,860	227,860
Investment earnings	-	-	-	-
Total revenues	<u>2,327,099</u>	<u>2,237,099</u>	<u>3,489,805</u>	<u>1,252,706</u>
EXPENDITURES				
Current-				
Highways and streets	681,995	717,873	492,947	224,926
Capital outlay	<u>4,000,000</u>	<u>735,500</u>	<u>645,515</u>	<u>89,985</u>
Total expenditures	<u>4,681,995</u>	<u>1,453,373</u>	<u>1,138,462</u>	<u>314,911</u>
Excess (deficiency) of revenues over expenditures	(2,354,896)	783,726	2,351,343	1,567,617
OTHER FINANCING SOURCES(USES)				
Operating transfers (out)	<u>(2,593,000)</u>	<u>(2,593,000)</u>	<u>(2,611,749)</u>	<u>(18,749)</u>
Total other financing sources(uses)	<u>(2,593,000)</u>	<u>(2,593,000)</u>	<u>(2,611,749)</u>	<u>(18,749)</u>
Net change in fund balance	(4,947,896)	(1,809,274)	(260,406)	1,548,868
Fund balance, beginning	<u>11,140,000</u>	<u>11,319,736</u>	<u>11,314,476</u>	<u>(5,260)</u>
Fund balance, ending	<u>\$6,192,104</u>	<u>\$ 9,510,462</u>	<u>\$11,054,070</u>	<u>\$ 1,543,608</u>

See accompanying auditor's report.

OTHER SUPPLEMENTAL INFORMATION

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Nonmajor Governmental Funds
December 31, 2005

Special Revenue Funds

Sales Tax Split .67% - Accounts for the rededication of a 1992 sales tax of 1% that was reduced to .67% by voters on April 6, 2002 that also rededicated the proceeds of the tax in excess of that needed for solid waste.

Sales Tax Split 1% - Accounts for the proceeds of the one cent sales tax imposed parishwide, excluding the City of Bogalusa, for periods May, 1992, and thereafter, to pay the costs of providing, maintaining, operating, constructing, acquiring, and/or improving solid waste facilities. Excess collections are to be used as follows:

- (a) 45% of excess will be used to pay mandated expenditures of the General Fund which the parish is legally obligated to pay under Louisiana law.
- (b) 44.14% of excess will be placed in the Parish Transportation Fund to be used for constructing, maintaining, and improving parish roads, highways, and bridges.
- (c) 9.72% of excess will be used for constructing, maintaining, and improving roads, highways, bridges, and drainage facilities in the Town of Franklinton. In addition, 80% of this money must be used for economic development in the first five years.
- (d) 0.57% of excess will be equally used for constructing, maintaining, and improving roads, highways, and bridges in the Village of Angie; and
- (e) 0.57% of excess will be equally used for constructing, maintaining, and improving roads, highways, and bridges in the Village of Varnado.

Governor's Office of Rural Development Fund - Accounts for various grants from the State of Louisiana.

LCDBG 2004-05 - The Louisiana Community Development Block Grant accounted for a federal grant used to reconstruct roadways.

Special Witness Fund - The Special Witness Fund was established under Section 255 of Title 15 of the Louisiana Revised Statute of 1981, which provides that costs of court collected in individual cases, tried in district or parish courts on which there is a plea of guilty or conviction, be transferred to the parish treasurer and deposited into a Special Witness Fund account to be used to pay off-duty officer witness fees. Expenditures are made from the fund when court affidavit is presented to the Parish Comptroller, and when the appropriate payroll department verifies that the officer was off duty.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Nonmajor Governmental Funds
December 31, 2005

Special Revenue Funds

Parish Transportation Fund - Accounts for constructing, improving, and maintaining public roads and bridges in the parish. Financing is provided by the State of Louisiana Parish Transportation Fund, ad valorem taxes, and state revenue sharing funds. The ad valorem tax expires in 2006.

Courthouse Maintenance Fund - Accounts for the operation and maintenance of the courthouse and related public buildings of the parish. Financing is provided by ad valorem taxes and state revenue sharing. The ad valorem tax expires in 2006.

Health Unit Maintenance Fund - Accounts for the operation and maintenance of public health units in the parish. Financing is provided by ad valorem taxes and state revenue sharing. The ad valorem tax expires in 2006.

Criminal Court Fund - The Criminal Court Fund was established under Section 571.11 of Title 15 of the Louisiana Revised Statutes of 1950, which provides that fines and forfeitures imposed by district courts and district attorney conviction fees in criminal court cases be transferred to the parish treasurer and deposited into a special Criminal Court Fund account to be used for the expenses of the criminal court of the parish. Expenditures are made from the fund on motion of the district attorney and approval of the district judges or on motion of the district judges and approval of the district attorney.

Library Fund - The Washington Parish Library was established by the Washington Parish Government on November 14, 1945, under provisions of Louisiana Revised Statute 25:211. The library provides citizens of the parish access to library materials, computers, books, magazines, records, and films. The library is governed by a board of control, which is appointed by the Washington Parish Government in accordance with the provisions of Louisiana Revised Statute 21:214. The members of the board of control serve without pay. Primary financing is provided by ad valorem taxes and state revenue sharing. The ad valorem tax expires in 2006.

Washington Parish Office of Emergency Preparedness - was established by state law (R.S. 29:728) and is responsible for emergency mitigation, preparedness, response and recovery. The director is appointed by the parish president and must be commissioned by the director of the state office of emergency preparedness. Operating expenses are partially reimbursed by the state.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Nonmajor Governmental Funds
December 31, 2005

DEBT SERVICE FUNDS

General Obligation Jail Bonds - This fund was established to account for the debt service of the 1981 Jail Bonds. All the bonds have been paid. The money left over in this account can only be used for the same purpose as the original jail bonds.

Limited Tax Certificate of Indebtedness - This fund was established to account for the debt service of the \$2,400,000 Limited Tax Certificate of Indebtedness, Series 2002.

Debt Service PTF Revenue Bonds - This fund was established to account for the debt service of the \$15,000,000 Sales Tax Revenue Bonds (Washington Parish Road Project) Series 2003 issued through the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) and the debt service of the \$5,600,000 Certificates of Indebtedness, Series 2002.

CAPITAL PROJECTS FUND

Varnado Project LCDBG 2002 - Accounts for a Louisiana Community Development Block Grant to provide for a new water well for the Varnado Water District, a component unit of the Washington Parish Government.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue Funds						
	Governor's Office of Rural Development			Parish Transportation Fund		Courthouse Maintenance	Health Unit Maintenance
ASSETS	Sales Tax Split 67%	Sales Tax Split 1%	LCDBG 2004-05	Special Witness			
Cash and cash equivalents	\$	\$ 764,536	\$	\$	\$ 34,282	\$ 259	\$ 95,343
Investments		1,195,767			66,076	52,127	1,666,262
Receivables	250,988			1,125	586,763	90,425	382,070
Due from other funds	579,838		18,070		360,640	4,637	
Due from other governmental units	190,369						
Total assets	\$ 1,021,195	\$ 1,960,303	\$ 18,070	\$ 1,125	\$ 1,047,761	\$ 147,448	\$ 2,143,675
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 218,709	\$ 1,064	\$	\$	\$ 35,153	\$ 575	\$ 4,092
Due to other funds	316,548	181,921	18,070	511	497,225	55,782	595
Compensated absences					38,463	4,360	6,153
Equity in joint venture	66,390						
Due to other governmental units							
Total liabilities	601,647	182,985	18,070	511	570,841	60,717	10,840
Fund balances(deficit):							
Reserved for:							
Debt service							
Unreserved:							
Special revenue funds-							
Designated-							
Construction		1,046,490					
Undesignated	419,548	730,828	-	614	476,920	86,731	2,132,835
Total fund balances	419,548	1,777,318	-	614	476,920	86,731	2,132,835
Total liabilities and fund balances	\$ 1,021,195	\$ 1,960,303	\$ 18,070	\$ 1,125	\$ 1,047,761	\$ 147,448	\$ 2,143,675

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue Funds			Debt Service Fund			Capital Projects Fund		Total
	Criminal Court	Library	Office of Emergency Preparedness	General Obligation Jail Bonds	Limited Tax Certificate of Indebtedness	Debt Service PTF Revenue Bonds	Varnado Project LCDBG 2002	Nonmajor Governmental Funds	
ASSETS									
Cash and cash equivalents	\$	\$ 301,572	\$	\$ 1,836	\$	\$	\$ 11,880	\$	\$ 1,209,708
Investments		256,697		232,062		690,422			4,159,413
Receivables	1,992	565,120	1,918	117					1,898,588
Due from other funds			66,263			264,898			1,276,276
Due from other governmental units									190,369
Total assets	\$ 1,992	\$1,123,389	\$ 68,181	\$ 234,015	\$ -	\$ 955,320	\$ 11,880	\$ 8,734,354	
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 3,461	\$ 10,130	\$	\$	\$	\$		\$	\$ 273,184
Due to other funds	297,357	734,805		121,165					2,223,979
Compensated absences	919	11,834							61,729
Equity in joint venture							11,880		66,390
Due to other governmental units									11,880
Total liabilities	301,737	756,769	-	121,165	-	-	11,880	2,637,162	
Fund balances(deficit):									
Reserved for:									
Debt service				112,850	-	955,320			1,068,170
Unreserved:									
Special revenue funds-									
Designated-									
Construction			68,181						1,046,490
Undesignated	(299,745)	366,620	68,181						3,982,532
Total fund balances	(299,745)	366,620	68,181	112,850	-	955,320	-	-	6,097,192
Total liabilities and fund balances	\$ 1,992	\$1,123,389	\$ 68,181	\$ 234,015	\$ -	\$ 955,320	\$ 11,880	\$ 8,734,354	

(Concluded)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue Funds						
	Governor's			Parish			
REVENUES	Sales Tax Split .67%	Sales Tax Split 1%	Office of Rural Development	LCDBG 2004-05	Special Witness	Transportation Fund	Health Unit Maintenance
Taxes-							
Ad valorem	\$	\$	\$	\$	\$	\$	\$
Sales tax	2,118,571						357,731
Intergovernmental -							
Federal-							
Federal grants				334,625			
State-							
Parish Transportation Act						451,020	
State revenue sharing						49,403	37,207
Other			25,414				
Fees, charges, etc.					3,945		
Fines and forfeitures							
Interest income	40,552	24,358			62	3,925	21,597
Investment earnings		45,102					44,652
Insurance proceeds						8,703	
Other						170	
Total revenues	2,159,123	69,460	25,414	334,625	4,007	988,078	461,187

EXPENDITURES

Current-							
General government -							
Judicial					13,003		121,450
Public safety							
Health and welfare			25,414	334,625			423,201
Highway and streets						1,350,582	

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue Funds						
	Governor's			Parish			
	Sales Tax Split 67%	Sales Tax Split 1%	Office of Rural Development	LCDBG 2004-05	Special Witness	Transportation Fund	Health Unit Maintenance
EXPENDITURES(continued)							
Sanitation	\$ 508,375	\$	\$	\$	\$		\$
Culture and recreation							
Debt service							
Principal							
Interest							
Capital outlay						112,349	
Total expenditures	508,375	-	25,414	334,625	13,003	1,462,931	423,201
Excess (deficiency) of revenues over expenditures	1,650,748	69,460	-	-	(8,996)	(474,853)	37,986
OTHER FINANCING SOURCES(USES)							
Operating transfers in						192,979	
Operating transfers(out)	(1,054,952)						
Decrease in equity in joint venture	(192,162)						
Excess sales tax split with other governmental entities	(218,709)						
Sale of assets						3,358	
Total other financing sources(uses)	(1,465,823)	-	-	-	-	196,337	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	184,925	69,460	-	-	(8,996)	(278,516)	37,986
Fund balance, beginning	234,623	1,707,858	-	-	9,610	755,436	2,094,849
Fund balance, ending	\$ 419,548	\$ 1,777,318	\$	\$	\$ 614	\$ 476,920	\$ 2,132,835

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue Funds			Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Criminal Court	Library	Office of Emergency Preparedness	General Obligation Bonds	Limited Tax Certificate of Indebtedness	Debt Service PTF Revenue Bonds	Varnado Project LCDBG 2002	
REVENUES								
Taxes-								
Ad valorem	\$	\$ 529,119	\$	\$	\$	\$	\$	\$ 1,444,195
Sales tax								2,118,571
Intergovernmental -								
Federal-								
Federal grants					289,222			623,847
State-								
Parish Transportation Act								451,020
State revenue sharing		54,517						153,497
Other		17,799			31,191			74,404
Fees, charges, etc.								3,945
Fines and forfeitures								53,598
Interest income		5,557						111,801
Investment earnings		13,835			167			100,578
Insurance proceeds						10,824		8,703
Other	48,041							4,184
Total revenues	48,041	621,570	3,271	5,818	-	10,824	-	5,148,343
EXPENDITURES								
Current-								
General government -								
Judicial	180,788							315,241
Public safety					255,671			652,197
Health and welfare								423,201
Highway and streets								1,350,582

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

December 31, 2005

	Special Revenue Funds			Debt Service Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Criminal Court	Library	Office of Emergency Preparedness	General Obligation Bonds	Limited Tax Certificate of Indebtedness	Debt Service PTF Revenue Bonds	Varnado Project LCDBG 2002		
EXPENDITURES(continued)									
Sanitation	\$	\$	\$	\$	\$	\$	\$	\$	\$ 508,375
Culture and recreation		525,769							525,769
Debt service:									-
Principal					565,000	1,300,000			1,865,000
Interest					74,688	552,944			627,632
Capital outlay		39,570							151,919
Total expenditures	180,788	565,339	255,671	36,487	639,688	1,852,944	-		6,419,916
Excess (deficiency) of revenues over expenditures	(132,747)	56,231	68,180	(30,669)	(639,688)	(1,842,120)	-		(1,271,573)
OTHER FINANCING SOURCES(USES)									
Operating transfers in									2,804,728
Operating transfers(out)					639,688	1,972,061			(1,054,952)
Decrease in equity in joint venture									(192,162)
Excess sales tax split with other governmental entities									(218,709)
								3,358	
Total other financing sources(uses)	-	-	-	-	639,688	1,972,061	-		1,342,263
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(132,747)	56,231	68,180	(30,669)	-	129,941	-		70,690
Fund balance, beginning	(186,998)	310,389	1	143,519	-	825,379	-		6,026,502
Fund balance, ending	\$ (299,745)	\$ 366,620	\$ 68,181	\$ 112,850	\$ -	\$ 955,320	\$ -	\$	\$ 6,097,192

(Concluded)

See accompanying auditor's report.

OTHER REPORTS

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ○ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Washington Parish Government
Franklinton, Louisiana

I have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington Parish Government as of and for the year ended December 31, 2005, which collectively comprise the Parish Government's basic financial statements and have issued my report thereon dated September 16, 2007, which was qualified for omission of one or more, but not all component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

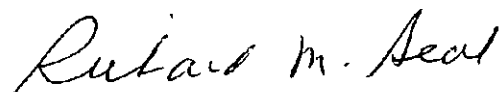
In planning and performing my audit, I considered the Washington Parish Government's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Parish's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-3, 2005-4, and 2005-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 2005-3, 2005-4, and 2005-5 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington Parish Government's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, 2005-4, 2005-5 and 2005-6.

This report is intended solely for the information of the Washington Parish Government's management and the office of the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant

Bogalusa, Louisiana
September 16, 2007

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ○ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Washington Parish Government
Franklinton, Louisiana

Compliance

I have audited the compliance of the Washington Parish Government with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Parish Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Parish Government's management. My responsibility is to express an opinion on the Parish Government's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Parish Government's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Parish Government's compliance with those requirements.

As described in items 2005-4 through 2005-6 in the accompanying schedule of findings and questioned costs, Washington Parish Government did not comply with requirements regarding allowable costs. Compliance with such requirements is necessary, in my opinion, for Washington Parish Government to comply with requirements applicable to those programs.

In my opinion, because of the effects of the noncompliance described in the preceding paragraph, Washington Parish Government did not comply in all material respects, with the requirements referred to above that are applicable to its major federal program Disaster Grants—Public Assistance Program for the year ended December 31, 2005.

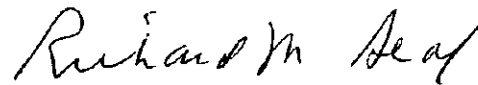
Internal Control Over Compliance

The management of the Washington Parish Government is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Parish Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Washington Parish Government's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-4 and 2005-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 2005-4 and 2005-5 to be material weaknesses.

This report is intended solely for the information and use of management, the Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard M. Seal". The signature is fluid and cursive, with the first name "Richard" being the most prominent.

Certified Public Accountant

Bogalusa, Louisiana
September 16, 2007

WASHINGTON PARISH GOVERNMENT
Schedule of Expenditures of Federal Awards
December 31, 2005

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CDFA Number	Federal Expenditures
United States Department of Housing and Urban Development		
Community Development Block Grants/ State's Program	14.228	\$ 334,625
Total Department of Housing and Urban Development		<u>334,625</u>
United States Department of Homeland Security		
Indirect program:		
Passed-Through the Governor's Office of Homeland Security and Emergency Preparedness		
Homeland Security Grant	97.004	289,226
Disaster Grants—Public Assistance (Presidentially Declared Disasters)	97.036	<u>24,902,662</u>
Total indirect programs		<u>25,191,888</u>
Total Department of Homeland Security		<u>25,191,888</u>
Total Expenditures of Federal Awards		<u><u>\$ 25,526,513</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

WASHINGTON PARISH GOVERNMENT
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2005

NOTE A — BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Washington Parish Government and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WASHINGTON PARISH GOVERNMENT
Schedule of Findings and Questioned Costs
December 31, 2005

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Qualified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? X Yes No
- Reportable conditions that are not considered to be material weaknesses X Yes None reported

Type of auditor's report issued on compliance for major programs Adverse

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

97.036

Department of Homeland Security
Passed through the Governor's Office of
Homeland Security and Emergency Preparedness
Federal Emergency Management Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

(Continued)

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Schedule of Findings and Questioned Costs
December 31, 2005

Section I—Summary of Auditor's Results(continued)

Audited qualified as low-risk auditee? _____ Yes X No

Section II—Financial Statement Findings

2005-1 NONCOMPLIANCE WITH BID LAW

Criteria - The Louisiana Public Bid Law applies to purchases of materials and supplies and contracts for public works. The law becomes applicable for public works when the monetary cost "threshold" for a particular procurement or change order exceeds \$100,000. Specifically, R.S. 38:2212(A)(6) requires that a change order in excess of \$100,000 be let out for public bid. R.S. 38:2211(A)(2) states that "change order means an alteration, deviation, addition, or omission as to a preexisting public work contract".

Condition - As part of Washington Parish Government's Road Maintenance and Rehabilitation Program, bids for "Contract No.1 - 2005 Road Maintenance and Rehabilitation Program (asphaltic concrete)" were received on August 2, 2005. The contract was awarded to the lowest bidder for \$1,533,829.

On October 13, 2005, a change order was executed for \$136,887 which added to the contract an extension to the length of Old Columbia Road.

The change order exceeded \$100,000 and was outside the scope of the original contract because it altered the nature of the thing being constructed by adding a length of road to the existing contract. Bids should have been requested for the additional work.

Auditor's Recommendations - Care should be taken to ensure compliance with the Louisiana Bid Law.

Management's Response - Public Works Director did not realize that would change the scope of the project.

Management's Corrective Action Plan - Management will comply with R.S. 38:2212(A)(6) and R.S. 38:2211(A)(2) in the future.

(Continued)

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Schedule of Findings and Questioned Costs
December 31, 2005

Section II—Financial Statement Findings(continued)

2005-2 STATE AUDIT REPORT LATE

Criteria - Annual financial reports of local governments are required to be completed within six months after the year end. Because of Hurricane Katrina, the Louisiana Legislative Auditor worked with the state legislature to amend the audit law to provide for extensions of time to file their annual reports. The Parish requested and was granted extensions of time to file the December 31, 2005 audit report.

Condition - The audit report was not completed by the extended due date.

Auditor's Recommendations - In the case of future disasters or emergencies additional effort should be exerted to finish the audit on time.

Management's Response - Management did not realize the amount of time current staffing was going to be required to spent on the Katrina project and therefore did not hire additional staffing.

Management's Corrective Action Plan - In the future, if there is a another disaster in Washington Parish, management now realizes that administration fees are paid to the parish for this purpose and will seek out additional help.

2005-3 OFFICE WORKERS UNDERSTAFFED

Criteria - For office work to be done in a timely manner an adequate number of employees should be employed.

Condition - The Comptroller of Washington Parish Government is expected to personally perform the following:

1. Collect and maintain custody of money.
2. Prepare the annual budget.
3. Prepare all purchase orders.
4. Be responsible for all disbursements.
5. Maintain all accounting general ledgers.
6. Prepare a monthly financial statement.
7. Reconcile all bank accounts.
8. Prepare certain grant applications.
9. Perform such other actions as may be directed by the Parish President.

(Continued)

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Schedule of Findings and Questioned Costs
December 31, 2005

Section II—Financial Statement Findings(continued)

2005-3 OFFICE WORKERS UNDERSTAFFED(continued)

Condition(continued) -Subsequent to Hurricane Katrina she had to write project worksheet and reimbursement requests to FEMA. In addition, she had to spend several weeks with state FEMA auditors and six months with federal FEMA auditors. She was also out sick for about three months from December 26, 2006 to April 30, 2007. There was no one to assist her, so she naturally fell behind in her work. The result was that the 2005 and 2006 audit reports were late and significant weaknesses in internal control have been created because of a lack of appropriate segregation of duties.

Auditor's Recommendations - Parish Government should hire at least one and perhaps two employees to assist the Comptroller. At least one should have a working knowledge of double entry bookkeeping.

Management's Response - Management does not have additional funding to hire more employees at this level.

Management's Corrective Action Plan - Management will hire additional staffing if the budget permits.

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Schedule of Findings and Questioned Costs
December 31, 2005

Section III—Federal Award Findings and Questioned Costs

Questioned
Cost

2005-4 HOMELAND SECURITY AUDIT

Criteria - Recipients of Federal grants are responsible for monitoring the expenditures of funds to ensure compliance with all applicable criteria. This responsibility cannot be contracted out.

Condition - Washington Parish (Parish) hired a contractor to monitor the loading, hauling, and measuring of debris removal. The contractor's responsibility included assuring the Parish that costs billed by the debris removal contractor were accurate and supported before the Parish submitted reimbursement requests for FEMA funds.

The U. S. Department of Homeland Security engaged the CPA firm of Foxx & Company of Cincinnati, Ohio to review the Hurricane Katrina debris removal activities in the Parish. The objective of the review was to determine whether the awarded contracts and contractor billings were in compliance with applicable Federal criteria. The review identified the following findings:

1. Unsupported costs for Right-of-Way debris removal.
2. Direct labor hours charged for administrative personnel.
3. Unsupported costs for tree removal.
4. Limited use of administrative allowance funds.
5. Contractual concerns with the monitoring contract.
6. Excess costs for leaners and hangers.

By the end of the cut-off date of the review, the above findings resulted in questioned costs of \$2,098,111. The amount was not separated between 2005 and 2006.

\$ 2,098,111

Auditor's Recommendations - The Parish should become familiar with all applicable Federal criteria on future grants and monitor expenditures.

Management's Response - Because of management's lack of knowledge of federal criteria, management hired an outside company to do this and failed to review their documents. At this point we are still negotiating the above cost, we expect this to be minimized when complete.

Management's Corrective Action Plan - In the future, management will take a more active approach in the management of the funding.

(Continued)

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Schedule of Findings and Questioned Costs
December 31, 2005

Section III—Federal Award Findings and Questioned Costs(continued)

	<u>Questioned Cost</u>
Department of Homeland Security Federal Emergency Management Assistance Program CFDA No. 97.036	
2005-5 AMBULANCE CONTRACT	
<u>Criteria</u> - Contracts should be carefully drafted in order to avoid misunderstandings.	
<u>Condition</u> -The Parish President signed a contract with Northshore EMS which granted them the right to provide emergency and non-emergency medical transportation service, which originated within the limits of Washington Parish. The contract also stated the Parish would pay for any ambulance service not covered by medicare/medicaid or private medical insurance. The contract was not dated and was for a three year period. In addition, the contract could only be cancelled by 180-day written notice.	
The ambulance company began billing the Parish immediately after Hurricane Katrina and continued for several subsequent months. The Parish paid Northshore EMS a total of \$32,867 and was reimbursed by FEMA.	
<u>Effect</u> - Since the contract was not dated, was for a three year period, could only be cancelled by 180-day written notice, which is far beyond any emergency timeline, the expenditure is subject to disallowance by FEMA.	\$ 32,867
<u>Auditor's Recommendation</u> - Undated, long-term contracts should be avoided, in emergencies.	

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Schedule of Findings and Questioned Costs
December 31, 2005

Section III—Federal Award Findings and Questioned Costs(continued)

	<u>Questioned Cost</u>
Department of Homeland Security Federal Emergency Management Assistance Program CFDA No. 97.036	
2005-5 AMBULANCE CONTRACT (continued)	
<i>Management's Response</i> - We will protect and serve the public even if we had to do this again.	
<i>Management's Corrective Action Plan</i> - Management will practice extreme caution in excising controls during an emergency situation.	
Total—Federal Emergency Management Assistance Program	\$ 2,130,978
Total—United States Department of Homeland Security	2,130,978

2005-6 FEDERAL AUDIT REPORT LATE

Criteria - OMB Circular A-133 at Section 320(a) states that the reporting package (which includes the audit report) must be submitted no later than nine months after the end of the audit period. Submitted is generally understood to be mailed.

Condition - The audit report was not submitted by the due date of September 30, 2006.

Auditor's Recommendations - Audit reports should be submitted on a timely basis.

Management's Response - Management was not aware of this requirement.

Management's Corrective Action Plan - Management will comply with audit deadline.

Total questioned costs	<u><u>\$ 2,130,978</u></u>
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(Concluded)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Schedule of Prior-Year Findings
For the Year Ended December 31, 2005

Section I Internal Control and Compliance Material to the Financial Statements	
There were no prior-year findings.	
Section II Internal Control and Compliance Material to Federal Awards	
There were no prior-year findings.	
Section III Management Letter	
1. Auditor recommended that information be provided to auditor earlier in order to avoid the "crunch" of finishing the audit on time.	Not resolved.

See accompanying auditor's report.